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MONTANA LEGISLATIVE HISTORY

Chapter N/A 19 87

Bill H 313 S _____ Original bill & history ✓C

H. Committee on Business & Labor

Hearing Date(s) 2-6 ✓C

2-12 ✓C

_____ ____C

_____ ____C

Date Out _____ ____C

S. Committee on _____

Hearing Date(s) _____ ____C

_____ ____C

_____ ____C

_____ ____C

Did this bill originate in an interim committee? ____Yes ____No

Committee _____ Report _____

RETURNED TO HOUSE
2/20 SIGNED BY SPEAKER
2/21 SIGNED BY PRESIDENT

2/23 TRANSMITTED TO GOVERNOR
2/25 SIGNED BY GOVERNOR
CHAPTER NUMBER 51 EFFECTIVE DATE: 2/25/87

HB 311 INTRODUCED BY KADAS
AUTHORIZING MODIFICATION OF STREET LIGHTING DISTRICTS

1/20 INTRODUCED
1/20 REFERRED TO LOCAL GOVERNMENT
1/26 HEARING
1/26 COMMITTEE REPORT--BILL PASSED AS AMENDED
1/28 2ND READING PASSED 100 0
1/29 3RD READING PASSED 96 0

TRANSMITTED TO SENATE
1/30 REFERRED TO LOCAL GOVERNMENT
2/10 HEARING
2/11 COMMITTEE REPORT--BILL CONCURRED
2/14 2ND READING CONCURRED 49 0
2/17 3RD READING CONCURRED 50 0

RETURNED TO HOUSE
2/19 SIGNED BY SPEAKER
2/20 SIGNED BY PRESIDENT

2/20 TRANSMITTED TO GOVERNOR
2/25 SIGNED BY GOVERNOR
CHAPTER NUMBER 46 EFFECTIVE DATE: 10/01/87

HB 312 INTRODUCED BY HANSEN, S., ET AL.
PROVIDES STAGGERED TERMS FOR MEMBERS OF THE COUNTY BOARD OF ADJUSTMENT

1/20 INTRODUCED
1/20 REFERRED TO LOCAL GOVERNMENT
1/23 HEARING
1/26 COMMITTEE REPORT--BILL PASSED
1/28 2ND READING PASSED 100 0
1/29 3RD READING PASSED 95 1

TRANSMITTED TO SENATE
1/30 REFERRED TO LOCAL GOVERNMENT
2/05 HEARING
2/06 COMMITTEE REPORT--BILL CONCURRED
2/10 2ND READING CONCURRED 50 0
2/12 3RD READING CONCURRED 50 0

RETURNED TO HOUSE
2/19 SIGNED BY SPEAKER
2/20 SIGNED BY PRESIDENT

2/20 TRANSMITTED TO GOVERNOR
2/25 SIGNED BY GOVERNOR
CHAPTER NUMBER 47 EFFECTIVE DATE: 10/01/87

HB 313 INTRODUCED BY PAVLOVICH
ABOLISH STATE LIQUOR STORES

1/20 INTRODUCED
1/20 REFERRED TO BUSINESS & LABOR

1/21 FISCAL NOTE REQUESTED
1/26 FISCAL NOTE RECEIVED
2/06 HEARING
2/14 COMMITTEE REPORT--BILL PASSED AS AMENDED
2/19 2ND READING NOT PASSED 73 22

HB 314 INTRODUCED BY PATTERSON, ET AL.
REDUCE CLASS EIGHT PROPERTY TAX RATE FROM 11 PERCENT TO 6 PERCENT FOR TAX YEARS 1987-88

1/20 INTRODUCED
1/20 REFERRED TO TAXATION
1/21 FISCAL NOTE REQUESTED
1/22 FISCAL NOTE RECEIVED
2/12 HEARING
3/16 TABLED IN COMMITTEE

HB 315 INTRODUCED BY HOFFMAN, R., ET AL.
CHANGE ASSESSMENT DATE OF LIVESTOCK

1/20 INTRODUCED
1/20 REFERRED TO TAXATION
1/21 FISCAL NOTE REQUESTED
1/22 FISCAL NOTE RECEIVED
2/06 HEARING
2/09 COMMITTEE REPORT--BILL PASSED AS AMENDED
2/11 2ND READING PASSED 80 16
2/12 3RD READING PASSED 87 11

TRANSMITTED TO SENATE
2/13 REFERRED TO TAXATION
3/18 HEARING
3/20 ADVERSE COMMITTEE REPORT ADOPTED 45 2
3/20 RETURNED TO HOUSE NOT CONCURRED

HB 316 INTRODUCED BY ADDY, ET AL.
PROVIDING FOR INVOLUNTARY COMMITMENT AND TREATMENT IN LOCAL COMMUNITY

1/20 INTRODUCED
1/20 REFERRED TO JUDICIARY
1/21 FISCAL NOTE REQUESTED
1/28 HEARING
1/28 FISCAL NOTE RECEIVED
2/03 REVISED FISCAL NOTE REQUESTED
2/09 REVISED FISCAL NOTE RECEIVED
2/19 COMMITTEE REPORT--BILL PASSED AS AMENDED
2/21 2ND READING PASSED 92 0
2/21 REREFERRED TO APPROPRIATIONS
3/04 HEARING
3/04 COMMITTEE REPORT--BILL PASSED
3/06 2ND READING PASSED AS AMENDED 94 1
3/09 3RD READING PASSED 93 1

TRANSMITTED TO SENATE
3/10 REFERRED TO PUBLIC HEALTH, WELFARE & SAFETY
3/20 HEARING
3/23 COMMITTEE REPORT--BILL CONCURRED
3/26 2ND READING CONCURRED 50 0
3/28 3RD READING CONCURRED 50 0

RETURNED TO HOUSE
4/01 SIGNED BY SPEAKER
4/02 SIGNED BY PRESIDENT

INTRODUCED BY House BILL NO. 313

A BILL FOR AN ACT ENTITLED: "AN ACT TO ABOLISH STATE LIQUOR STORES; TO REVISE THE LAW RELATING TO SALES BY THE STATE WAREHOUSE; TO CLARIFY TERMINOLOGY; AMENDING SECTIONS 2-17-101, 2-18-203, 2-18-303 THROUGH 2-18-305, 16-1-103, 16-1-105, 16-1-106, 16-1-202, 16-1-301 THROUGH 16-1-304, 16-1-401, 16-1-402, 16-1-404, 16-2-103, 16-2-108, 16-2-201, 16-2-203, 16-2-302, 16-2-303, 16-3-103, 16-3-106, 16-3-401, 16-4-201, 16-4-202, 16-4-204, 16-4-205, 16-4-207 THROUGH 16-4-209, 16-4-404, 16-4-501, 16-4-503, 16-6-107, 16-6-301, AND 16-6-303, MCA; REPEALING SECTIONS 2-18-314, 16-2-101, 16-2-104 THROUGH 16-2-107, 16-2-301, AND 16-3-307, MCA; AND PROVIDING EFFECTIVE DATES."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 16-1-103, MCA, is amended to read:

"16-1-103. Policy as to retail sale of liquor. It is the policy of the state that it is necessary to further regulate and control the sale and distribution of alcoholic beverages within the state and to ensure the entire control of the sale of liquor in the department of revenue. It is advisable and necessary~~,--in-addition-to-the-operation-of-the state-liquor-stores-now-provided-by-law,~~ that the department

be empowered and authorized to grant licenses to persons qualified under this code to sell liquor purchased by them at the state ~~liquor-stores~~ warehouse at ~~retail~~ the posted price in accordance with this code and under rules promulgated by the department and under its strict supervision and control and to provide severe penalty for the sale of liquor except by ~~and-in-state-liquor-stores--and~~ by persons licensed under this code. The restrictions, regulations, and provisions contained in this code are enacted by the legislature for the protection, health, welfare, and safety of the people of the state."

Section 2. Section 16-1-105, MCA, is amended to read:

"16-1-105. Divisions of code. This code is divided into six chapters. Chapter 1 relates to the authority of the department of revenue to administer this code and the powers and functions of the department. Chapter 2 relates to the ~~establishment--of--state--stores--and--the--keeping--and selling--of--liquors~~ price of liquor and the sale of table wine. Chapter 3 relates to the control of liquor, wine, and beer. Chapter 4 relates to license administration. Chapter 5 relates to identification cards. Chapter 6 relates to enforcement."

Section 3. Section 16-1-106, MCA, is amended to read:

"16-1-106. Definitions. As used in this code, the following definitions apply:

INTRODUCED BILL
HB-313

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB313 , as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to abolish liquor stores; to revise the law relating to sales by the state warehouse; to clarify terminology; and providing effective dates.

ASSUMPTIONS:

1. Revenue Estimating Advisory Council (REAC) assumptions are the basis for comparison.
2. The change in systems, embodied in this proposal, will not cause a reduction in gallons of liquor or wine sold.
3. Due to pooled purchase provisions in the law, all sales to taverns will receive the full 10% discount.
4. Freight shipments to taverns will have a significantly higher tariff due to small weight on a weekly delivery basis.
5. The Purchasing and Warehouse Bureaus would have to increase staff, under this proposal, due to increased transaction level resulting from the shift from 139 outlets to 1,500 taverns.
6. The Stores Bureau and all liquor stores will be terminated under the proposed law.
7. The proposed law becomes effective October 1, 1987. Hence it will impact only 9 months of FY88.
8. It is the intent of the proposed law that the state receive no profit from the markup of wine and liquor.
9. Liquor excise tax allocation: 100% general fund.
10. Liquor license tax allocation: 34.5% local governments; 65.5% institutions.
11. Table wine tax allocation: .16/.27 general fund; .0266/.27 local governments; .0834/.27 institutions.
12. Liquor profit allocation: 100% general fund.
13. Under current law, there is a uniform price mark-up. Under the proposed law, there is no uniform price mark-up.

FISCAL IMPACT:

	FY88			FY89		
Revenue:	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Liquor Excise Tax	$ 5,397,000	$ 4,988,000	($ 409,000)	$ 5,179,000	$ 4,633,000	($ 546,000)
Liquor License Tax	3,373,000	3,117,000	(256,000)	3,237,000	2,896,000	(341,000)
Table Wine Tax	72,000	72,000	0	65,000	65,000	0
Liquor Profit	4,151,000	1,038,000	(3,113,000)	3,789,000	0	(3,789,000)
Other Income	34,000	34,000	0	36,000	36,000	0
TOTAL	$13,027,000	$ 9,249,000	($3,778,000)	$12,306,000	$ 7,630,000	($4,676,000)

David L. Hunter DATE 1/26/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE 1/26/87
ROBERT J. PAVLOVICH, PRIMARY SPONSOR

Fiscal Note for HB313, as introduced.

HB. 313

	FY88			FY89		
Expenditures:	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Discounts	$ 561,000	$ 3,240,000	$2,679,000	$ 493,000	$ 4,066,000	$3,573,000
Operating Expense	6,816,000	3,484,000	(3,332,000)	6,764,000	2,321,000	(4,443,000)
Freight to Outlets	516,000	1,201,000	685,000	516,000	1,429,000	913,000
TOTAL	$ 7,893,000	$ 7,925,000	$ 32,000	$ 7,773,000	$ 7,816,000	$ 43,000
Net Effect	$ 5,134,000	$ 1,324,000	($3,810,000)	$ 4,533,000	($ 186,000)	($4,719,000)
Fund Information:						
General Fund	$ 9,591,000	$ 6,069,000	($3,522,000)	$ 9,007,000	$ 4,672,000	($4,335,000)
Institutions	$ 2,232,000	$ 2,064,000	($ 168,000)	$ 2,140,000	$ 1,917,000	($ 223,000)
Local Governments	$ 1,170,000	$ 1,082,000	($ 88,000)	$ 1,123,000	$ 1,005,000	($ 118,000)
Liquor Proprietary	$ 34,000	$ 34,000	$ 0	$ 36,000	$ 36,000	$ 0

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:
Liquor License and Table Wine Tax Allocations to Local Governments (see also "Fund Information")

	FY88	FY89
Current law	$ 1,170,000	$ 1,123,000
Proposed law	1,082,000	1,005,000
Estimated Decrease	$ (88,000)	$ (118,000)

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB313, as introduced.
REVISED FISCAL NOTE

DESCRIPTION OF PROPOSED LEGISLATION:

An act to abolish liquor stores; to revise the law relating to sales by the state warehouse; to clarify terminology; and providing effective dates.

ASSUMPTIONS:

1. Revenue Estimating Advisory Council (REAC) assumptions are the basis for comparison.
2. The change in systems, embodied in this proposal, will not cause a reduction in gallons of liquor or wine sold.
3. Due to pooled purchase provisions in the law, all sales to taverns will receive the full 10% discount.
4. Freight shipments to taverns will have a significantly higher tariff due to small weight on a weekly delivery basis.
5. The Purchasing and Warehouse Bureaus would have to increase staff, under this proposal, due to increased transaction level resulting from the shift from 139 outlets to 1,500 taverns.
6. The Stores Bureau and all liquor stores will be terminated under the proposed law.
7. The proposed law becomes effective October 1, 1987. Hence it will impact only 9 months of FY88.
8. It is the intent of the proposed law that the state receive no profit from the markup of wine and liquor.
9. Liquor excise tax allocation: 100% general fund.
10. Liquor license tax allocation: 34.5% local governments; 65.5% institutions.
11. Table wine tax allocation: .16/.27 general fund; .0266/.27 local governments; .0834/.27 institutions.
12. Liquor profit allocation: 100% general fund.
13. Under current law, there is a uniform price mark-up. Under the proposed law, there is no uniform price mark-up.
14. Conversion of inventory under this proposal will result in a one time (in FY88) shift of $2,532,000 from the proprietary fund to the general fund.

FISCAL IMPACT:

	FY88			FY89		
Revenue:	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Liquor Excise Tax	$ 5,397,000	$ 4,988,000	($ 409,000)	$ 5,179,000	$ 4,633,000	($ 546,000)
Liquor License Tax	3,373,000	3,117,000	(256,000)	3,237,000	2,896,000	(341,000)
Table Wine Tax	72,000	72,000	0	65,000	65,000	0
Liquor Profit	4,151,000	1,038,000	(3,113,000)	3,789,000	0	(3,789,000)
Other Income	34,000	34,000	0	36,000	36,000	0
TOTAL	$13,027,000	$ 9,249,000	($3,778,000)	$12,306,000	$ 7,630,000	($4,676,000)

David L. Hunter DATE 2/5/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

Bob Pavlovich DATE 2-6-87
ROBERT J. PAVLOVICH, PRIMARY SPONSOR

Fiscal Note for HB313, as introduced.
REVISED FISCAL NOTE. HB 313
#2

	FY88			FY89		
Expenditures:	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Discounts	$ 561,000	$ 3,240,000	$2,679,000	$ 493,000	$ 4,066,000	$3,573,000
Operating Expense	6,816,000	3,484,000	(3,332,000)	6,764,000	2,321,000	(4,443,000)
Freight to Outlets	516,000	1,201,000	685,000	516,000	1,429,000	913,000
TOTAL	$ 7,893,000	$ 7,925,000	$ 32,000	$ 7,773,000	$ 7,816,000	$ 43,000
Net Effect	$ 5,134,000	$ 1,324,000	($3,810,000)	$ 4,533,000	($ 186,000)	($4,719,000)
Fund Information:						
General Fund*	$ 9,591,000	$ 8,601,000	($ 990,000)	$ 9,007,000	$ 4,672,000	($4,335,000)
Institutions	$ 2,232,000	$ 2,064,000	($ 168,000)	$ 2,140,000	$ 1,917,000	($ 223,000)
Local Governments	$ 1,170,000	$ 1,082,000	($ 88,000)	$ 1,123,000	$ 1,005,000	($ 118,000)
Liquor Proprietary	$ 34,000	$ 34,000	$ 0	$ 36,000	$ 36,000	$ 0

*Includes $2,532,000 transferred to the general fund due to inventory conversion.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Liquor License and Table Wine Tax Allocations to Local Governments (see also "Fund Information")

	FY88	FY89
Current law	$ 1,170,000	$ 1,123,000
Proposed law	1,082,000	1,005,000
Estimated Decrease	$ (88,000)	$ (118,000)

Form CS-32
Rev. 1985

STATUS SHEET

50th LEGISLATIVE SESSION

BUSINESS AND LABOR COMMITTEE

HOUSE BILL NUMBER	ENTERED COM. DATE	DATE CON-SIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CON-CURRED IN DATE	BE NOT CON-CURRED IN DATE	BE CON-CURRED IN AMENDED DATE	BE NOT CONCURRE IN AS AMENDED DATE
257	1/19/87	1/28/87	1/28/87	1/28/87							
264	1/19/87	1/28/87	tabled 1/28/87								
278	1/19/87	1/28/87	1/28/87	1/28/87							
302	1/20/87	1/30/87	2/2/87	2/2/87							
310	1/20/87	1/29/87	1/29/87			1/29/87					
313	1/20/87	2/6/87	2/12/87			2/12/87					
332	1/20/87	1/29/87	1/29/87	1/29/87							
334	1/20/87	1/29/87	2/3/87	2/3/87							
345	1/24/87	2/2/87	2/2/87			2/2/87					
362	1/24/87	1/29/87	1/29/87			1/29/87					
363	1/24/87	2/2/87	2/2/87								
372	1/24/87	2/2/87	2/6/87			2/6/87					
373	1/24/87	2/2/87	2/11/87			2/11/87					
374	1/24/87	1/27/87	1/27/87			1/27/87					

se a separate sheet for Senate Bills, House Bills, and Resolutions.

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
50TH LEGISLATIVE SESSION

February 6, 1987

The meeting of the Business and Labor Committee was called to order by Chairman Les Kitselman on February 6, 1987 at 8:00 a.m. in Room 325 of the State Capitol.

ROLL CALL: All members were present.

HOUSE BILL NO. 562 - Remove the State From the State Liquor Store Business, sponsored by Rep. Bruce Simon, House District 91, Billings. Rep. Simon stated that this bill was one of two bills designed to get the state out of the retail liquor business, and proposed to make a change in the taxing structure of the Liquor Division. He said that currently the taxes are based on the price with a flat percentage markup, and he is proposing a flat tax based on liters which is similar to the current taxes used on wine and beer where the volume of product is used for measuring the taxes instead of the price. He reviewed the information he had compiled and submitted. Exhibit No. 1.

Rep. Simon reviewed the bill and showed the various sections that would be affected, and the minor changes throughout the liquor laws. He said there was a real concern among the persons employed by the liquor stores. He said the state would be leaving the retail liquor business and there would be agency stores, which is the current course. He added that in order to be sensitive to the needs of the employees, a 5% preferential bid for those state employees that wish to become an owner of a state agency store is included in the bill. Exhibit No. 2.

HOUSE BILL NO. 313 - Abolish Liquor Stores, sponsored by Rep. Robert Pavlovich, House District No. 70, Butte. Rep. Pavlovich stated this bill is similar to Rep. Simon's bill, House Bill No. 562, with a different version of having one centrally controlled warehouse in Helena, which we now have, and would only wholesale to taverns. He said there are 1,500 taverns in the state, and those in the Tavern Association feel they are capable of handling the liquor for the state of Montana. He commented that the Department of Revenue is in the process of converting all the agency stores to retail stores on a bidding process, and they plan on converting the state liquor stores in the same respect.

Rep. Pavlovich stated that the Montana Tavern Association fear that eventually the supermarket chains would have the liquor, and possibly would not have good control. He added

that in a newspaper article he read that the state has converted five stores, and one of the stores was making a 6.9 percent profit. He said, it was difficult to believe that anyone could survive on 6.9 percent profit; a large supermarket chain store could because they have other items to sell, but a liquor store could not, and eventually would be out of business. Exhibit No. 3.

Rep. Pavlovich stated he did not want the grocery stores to become involved in the liquor business. He said with his bill the pricing would remain the same; taverns would purchase the liquor from the state warehouse; the freight costs would remain the same, which the tavern owners would share the equally.

PROPONENTS ON HOUSE BILL NOS. 562 AND 313

Phil Strope, Montana Tavern Association. Mr. Strope stated that it has been a long standing policy of the tavern industry to encourage the state to get out of the retail business of the sale of liquor. He said the process should be done so that those in the industry are not unreasonably burdened or penalized by the way the state makes the new public policy consideration. He said the system that this bill proposes is that all the liquor is distributed out of a state warehouse and the people that can buy it are similar to beverage licensees and would expand to a package business, and it would include a new market under the tavern businesses, and he feels they would have the capacity to handle this.

Mr. Strope commented that the concept as proposed by House Bill No. 562 is that the ultimate point of sale is the state warehouse and the private sector picks up the burden of the freight cost. This would give a disproportionate and inordinate advantage to a Helena base retailer because it would not have the freight cost or miles to haul the product, he said.

Roger Tippy, representing Montana Beer and Wine Wholesalers Association. Mr. Tippy stated the Association is in support of both bills. He said that taverns at present have the option of buying wine from a state liquor store or from the wholesaler; and under House Bill No. 562, package stores cold obtain their wines either way, so the bills would not be needed to maintain the state as an importer of table wine. He said the wineries and wholesalers feel that the marketing of fortified wines could best be handled as an integrated operation at the wholesale level and do not advocate any new outlets other than those contemplated in the bills be authorized for the retail sale of fortified

wines. He asked that a subcommittee review the marketing and taxation of this under this system.

Mona Jamison, representing the Wine Institute Association of Wineries. Ms. Jamison stated they support both bills, and the comments made by Mr. Tippy on behalf of the wholesalers. She said they believe that the state should be out of the wholesaling of wines, both table and fortified wines, and from an economic standpoint, they believe the wholesalers can better market both of these wines. She said they would be happy to work with the subcommittee for an acceptable resolution to the distribution and wholesale of the wines.

Dwain Iverson, CPA, Shelby. Mr. Iverson stated he is employed by the wholesalers to look at the distribution and the liquor industry in Montana. He commented the state should get out of the retail sale of liquor, that they are in a conflicting position in trying to control consumption and promote the sale of it at the same time. He said he wanted to submit amendments to set up a transportation and distribution system that would be more effective in getting the product to the consumer, because the state is large and if it is done on small packages delivered to each retail establishment it would be very expensive.

Jerome Kohn, consumer, Yellowstone County. Mr. Kohn stated that the state should be out of the liquor business, and believes that House Bill No. 562 would produce as much or more profit for the state than the present system, and consumers would have more selection of brands in the local stores. He said he believes the price of liquor would be lower, there would be more accessibility to the product with a number of liquor stores in the communities, and the employees of the present liquor stores who might be concerned about their jobs need not be because the new store owners would hire them because they knew the business. He said the new store owners would produce more tax roles and an undetermined quantity of additional profit to the state.

OPPONENTS

Claudia Clifford, representing the United Food and Commercial Workers. Ms. Clifford submitted written testimony. Exhibit No. 4.

Frank Capps, owner and manager of Thriftway Stores, Helena. Mr. Capps stated that in October of last year the Department of Revenue, Liquor Division, announced that certain state stores would be offered for bid to the private sector. He said he bid and was awarded a state store, and did some remodeling in his grocery store to accommodate the law requiring a wall between the grocery store and liquor store.

He said he opposes both of these bills because they tend to monopolize the liquor business in the state in the private sector, and would eliminate income from the retail stores.

Bob Heiser, submitted written testimony. Exhibit No. 5.

Warren Peterson, representing state liquor store clerks, Billings, submitted written testimony. Exhibit No. 6.

Marvin Alves, Business Agent for UFCW, representing state liquor store clerks. Mr. Alves submitted written testimony. Exhibit No. 7.

Gary Blewett, Administrator, Liquor Division, Department of Revenue.

Chairman Kitselman cautioned Mr. Blewett regarding testimony given by department administrators in opposition and proposition, testimony should be limited to giving information to the committee.

Mr. Blewett stated that the two bills represent two of several approaches to a liquor recovery plan that the last legislature in special sessions and through the Revenue Oversight Committee considered before settling on the liquor recovery plan the department is operating under at present. He said the last legislature directed the department to convert the 52 stores that were operated by state employees to agencies paid on a sales commission basis. He commented that the liquor recovery plan directed the department to schedule the conversions as existing building leases came due and not before, which would spread the agency conversions over several years, the last to be scheduled in 1991.

Mr. Blewett said the revenue oversight committee recommended this liquor recovery plan to the last legislature for three reasons: 1) it provides the most revenue to the state with the least disruption; 2) it builds on past efforts to improve the profitability of the system; and 3) it honors current contractual obligations. He said the issue over the past few years has not been whether the system produces substantial revenue, it has; the issue is whether the system has reasonably maximized its revenue at little or no additional cost to the purchasing public. He added the liquor system has not been achieving its potential; liquor sales have been declining and is due to different factors: public concern about DUI, new emphasis on health and fitness, and difficult economic times.

Mr. Blewett added that the revenue will decline as sales decline, and reductions need to be made in the expenses of operating the system so that expenses crumbling the public's

revenue return is avoided, and on that issue, the revenue oversight committee focused its attention. He said the liquor recovery plan that's now being implemented will eventually stabilize the expense to sales ratio and maintain a reasonable profit level. These two bills do not meet these considerations that have gone into the current liquor recovery plan, he said.

Ray Trudell, Business Agent representing UFCW. Mr. Trudell stated this bill would eliminate the annual net revenue to the state of Montana, and make the products too widely available to the general public which would promote more DUI.

Mike Grunow, store agent, Lolo. Mr. Grunow stated the important thing is that someone make a decision on which system to use. He said that opening the liquor business to privately owned stores may not produce the amount of revenue that it is currently producing, and felt that all the alternatives haven't been investigated to increase the sales and profits in the state owned and operated liquor stores. He is currently opposed until a better business plan is proposed than these two bills.

QUESTIONS

Rep. Bachini asked Mr. Blewett how many state employees are employed under this program and in the phasing out program what will happen to these employees when the stores are put up for bid. Mr. Blewett replied that there are about 120 people that vary in terms of full-time and part-time, and the only program that is set up is the same program available to all state employees which is the reduction in force policy that gives them preference on any other openings that may become available in the Department, and make referrals to other departments that do have openings for one year after the reduction in force notice. He said there is no opportunity for special severance pay or special reimbursements.

Rep. Bachini commented that within the bills the only thing included is a preference in the biding process of 5%. He asked the sponsors of the two bills what would happen to these employees if the stores are closed.

Rep. Simon responded that he is sensitive to the employees losing their jobs, and if the state adopts the current plan to convert the stores to agency stores, the state employees would lose their jobs. He said with his plan there is a preference built in and he would like to suggest that a statement of intent be written to address the issue of the employees to mitigate the impacts.

Rep. Pavlovich responded that his bill does not have a provision for the employees. He said there are 1,500 tavern owners and assumed that they would be remodeling to make liquor stores and would be hiring some of the employees.

Rep. Jones asked why the Department of Revenue does not want to lose the agency stores, and what was the basic reason for having the stores, if not for a profit. Ms. Clifford responded that the liquor store system set up by the legislature was a directive to control the sale of liquor.

Rep. Jones asked Mr. Blewett if the system was there to make a profit, and Mr. Blewett responded that it was.

Rep. Brandewie asked Rep. Simon to address the space requirements for a store to carry a full line of liquor, or a requirement for stocking the store with a wide variety of products. Rep. Simon responded that there is nothing in his bill that sets up a specific space requirement, and the state dictating the type of products and quantity the owner should carry would take the control of the inventory away from him.

Rep. Brown stated that the opponents testified that there was a potential in both bills for the increase of sale of the liquor to minors, and increased DUI's, because of the increased selling of liquor to patrons who were already inebriated, and asked both sponsors to comment.

Rep. Simon commented these were the classic fear tactics that were heard every time a bill such as theirs was introduced. He said the fact is that a license to operate a business like this is a precious commodity, and if the owner loses his license he is out of business and severe penalties imposed on him if he sells his product to minors or to someone who is inebriated. He added those same provisions would apply to a package store.

Rep. Pavlovich responded that those liquor licenses are very valuable and the industry would not put their licenses in jeopardy because they have too much to lose.

Rep. Grinde asked Mr. Grunow if House Bill No. 562 became law, would he purchase one of the agency stores. Mr. Grunow responded that he probably would not; he could get a better return on his investment in something else.

Rep. Swysgood asked Ms. Clifford to comment on the question of profitability of the liquor business whether private or state owned. Ms. Clifford responded that the state setting up a state liquor store system was a directive and concern

by the legislature that the state control of the sale of liquor was in the best interests of the public.

Rep. Swysgood asked Ms. Clifford if the state would do a better job of protecting the public and maximizing the profits than the private industry. Ms. Clifford responded that it would; there are no provisions in the proposals other than the current provisions in the law to protect the sale of liquor to minors.

CLOSING - House Bill No. 313

Rep. Pavlovich stated that he did not have a problem with the present system, but if the agency stores are going to convert, he thought it should be done the way his bill proposed. He said that 12 stores have been converted; the one store in Bigfork will get 8.2 percent, and the one in Malta 6.9 percent commission, which does not include expenses. He said eventually these stores would not be able to make a living. He commented that he feared the supermarkets getting the liquor in their stores. He added the biggest problem with the minors getting the beer and wine is that they are buying it in the convenience grocery stores. He said that as long as the state is insistent that they are going to convert, it should be done with either one of the proposals in these two bills.

CLOSING - House Bill No. 562

Rep. Simon stated that from the Liquor Division's annual report for 1985 profits show a decrease since 1983, and that is why they are considering a liquor recovery plan. He said eventually all the stores will be converted, but the problem remains that the system is not working. He said the employees have a legitimate concern, and he would like a statement of intent for the bill to cover the employee issues and to draw up a model of how some of the policy decisions should go for converting the stores from the current system to the proposed system.

EXECUTIVE ACTION - February 6, 1987 - 10:00 a.m.

ACTION ON HOUSE BILL NOS. 313 AND 562

Chairman Kitselman referred House Bill Nos. 313 and 562 to a subcommittee composed of Rep. Simon, Rep. Pavlovich, and Rep. Jones, with Rep. Jones as chairman.

ACTION ON HOUSE BILL NO. 432

Rep. Brown moved that House Bill No. 432 DO PASS.

DAILY ROLL CALL

BUSINESS & LABOR COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date February 6, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. LES KITSELMAN, CHAIRMAN	✓		
REP. FRED THOMAS, VICE-CHAIRMAN	✓		
REP. BOB BACHINI	✓		
REP. RAY BRANDEWIE	✓		
REP. JAN BROWN	✓		
REP. BEN COHEN	✓		
REP. JERRY DRISCOLL	✓		
REP. WILLIAM GLASER	✓		
REP. LARRY GRINDE	✓		
REP. STELLA JEAN HANSEN	✓		
REP. TOM JONES	✓		
REP. LLOYD MCCORMICK	✓		
REP. GERALD NISBET	✓		
REP. BOB PAVLOVICH	✓		
REP. BRUCE SIMON	✓		
REP. CLYDE SMITH	✓		
REP. CHARLES SWYSGOOD	✓		
REP. NORM WALLIN	✓		

CS-30

2/6/87

HB 313

WITNESS STATEMENT

NAME (W)Arren L. Peterson BILL NO. 313

ADDRESS 3933 N. Tanager Lane, Billings, MT DATE 2-6-87

WHOM DO YOU REPRESENT? Liquor store clerks

SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Mr. Chairman, House committee members, my name is Warren Peterson. I work at a state liquor store in Billings, Montana, where I have been employed for 6 years.

Everytime I read a Montana newspaper I am reminded of the tough economic conditions the people of Montana are facing. I do not understand why the legislature would want to contribute to this condition by laying off 155 employees who work in profitable state retail liquor stores which contribute valuable dollars to the general fund. If House Bill 313 is passed the legislature is sending a signal to its citizens that if you want work you will have to leave Montana to find comparable retail work.

I would be reluctant to accept employment in a private store because of probable low wages and lack of benefits.

As a state liquor store employee we do not cost the taxpayers one dime in fact we net in 4+ million dollar profit that goes into the general fund that doesn't come off the tax payers back.

I urge you to oppose House Bill 313.

Thank you.

CS-34

DATE 2/6/82
HB 562 & 313

My name is Marv Alves and I am the business agent for the union which currently represents state liquor store clerks. I am here today to express my support for HB 623 and to voice my strong opposition to HB 562 and HB 313. I have received numerous calls from state liquor store employees who have voiced their concerns over the scheduling of this hearing for Friday. Many of these employees wanted to testify on these bills which directly effect their jobs.

State liquor store clerks see their main responsibility as one of guaranteeing public safety. They must ensure that liquor is not sold to minors or to inebriated individuals. We can be greatful for their concerns for our children's safety and the public's general welfare. If one drunk driver is kept off the highways and lives are saved, they have performed an immeasureable service to the public. I personally have never heard of incidents where employees of state owned liquor stores sold alcohol to minors or to intoxicated individuals.

Problems do occur when the private sector sells liquor to the public. Bars and privately owned outlets offer much easier access to alcoholic beverages, especially to minors. My personal experiences with my teenage son have proven this to me. When he was a teenager, he threw a party in my absence, and as result forty-seven minors were arrested for possession of alcohol. There is no doubt in my mind that he did not get the three gallons of Everclear found in the house at a state liquor store. Barkeepers and store owners rarely card an individual as strictly as liquor store employees do; they are just too busy.

The proponents to privatize liquor stores innacurately contend that the state can prevent package stores and taverns from selling liquor to minors and inebriated individuals. But it is very difficult to revoke a license, and it only happens in extreme cases.

In Missoula, for example, three people were tragically killed at a bar before the tavern was shutdown. In state stores, the state can

discharge managers and employees on the slightest infractions; controlling the situation before it gets worse.

In closing, I ask that you vote against HB 562 and HB 313 and vote for HB 623.

VISITORS' REGISTER

BUSINESS AND LABOR COMMITTEE

BILL NO. House Bill No. 313 DATE February 6, 1987

SPONSOR Rep. Robert Pavlovich

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Frank Cappas	Montana Food Assn. Thriftway Food Stores		X
Tom Dowling	"		X
			X
			X
			X
			X
		✓	
		✓	
			X
			X
			✓
		✓	
			X
		X	
		X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33

VISITORS' REGISTER

BUSINESS AND LABOR COMMITTEE

BILL NO. House Bill No. 313 DATE February 6, 1987

SPONSOR Rep. Robert Pavlovich

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
[illegible]	[illegible]	✓	
[illegible]	[illegible]		
Bill Watkins	ZIP Beverage	✓	
Jason Hibbs	Watkins-Shepard Trask Haley	✓	
[illegible]	[illegible]		✓
Tom [illegible]	[illegible]		✓
Tom Chase	[illegible]		✓
Roger Tippy	MSUCAA	✓ (Amend)	
[illegible]	[illegible]		X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33

Rep. Simon commented there can be injuries that do not manifest very quickly, sometimes it takes three or four days or a week, and this is a middle ground between the 60 days that is presently in effect, and the 24 hours which is too short a time.

Rep. Simon's motion on the amendment was voted on and carried with Reps. Bachini, Brown, Driscoll, Grinde, Hansen, McCormick and Nisbet opposed.

Rep. Brandewie moved that House Bill No. 640 DO PASS AS AMENDED. The motion carried with Reps. Bachini, Brown, Cohen, Driscoll, Hansen, Nisbet, and Pavlovich opposed.

ACTION ON HOUSE BILL NO. 313

Rep. Pavlovich moved that House Bill No. 313 DO PASS.

Rep. Pavlovich moved amendments Nos. 1 through 10 which inserts language regarding table wines. See Exhibit No. 10 for each of the amendments. The motion carried with Rep. Simon and Rep. Nisbet opposed.

Rep. Pavlovich moved amendments Nos. 11, 12, and 13. See Exhibit No. 11. The motion carried with Reps. Bachini, Driscoll, Kitselman, Nisbet and
Wallin opposed.

Rep. Pavlovich moved amendment No. 14. See Exhibit No. 11. The motion carried with Rep. Bachini and Rep. Kitselman opposed.

Rep. Pavlovich moved amendments Nos. 15 and 16. The motion carried with Reps. Kitselman, Swysgood, and Thomas opposed.

Rep. Pavlovich moved amendments Nos. 17, 18, and 19. Exhibit No. 11. The motion carried unanimously.

Rep. Pavlovich moved amendment No. 20. The motion carried with Reps. Brown, Bachini, and Kitselman opposed.

Rep. Pavlovich stated he wanted both bills, House Bill Nos. 562 and 313, Rep. Simon's and his proposal, to be considered on the House floor. He said then they could decide what to do with the state liquor system, or they could wait until Rep. Harrington's bill, House Bill No. 623, is heard, which provides that the system remains the same.

Rep. Kitselman commented the difference in House Bill 313, Rep. Pavlovich's bill, the liquor is exclusively controlled by the tavern owners.

Rep. Simon commented a second major difference was that in Rep. Pavlovich's bill, the freight is paid by the state.

Rep. Brandewie pointed out that the bills can't be heard at the same time or voted on at the same time.

Rep. Driscoll stated that if both bills were to pass to the Governor's desk, he couldn't sign both.

Rep. Brandewie gave an example of a person in Bigfork who has been providing service in an agency store, and under Rep. Pavlovich's bill, that person does not have a chance of his store staying open. He felt that House Bill No. 313 was unfair to the people who have the agency stores, and for that reason was not in favor of the bill.

Rep. Pavlovich moved that House Bill No. 313 DO PASS AS AMENDED. The motion carried with a roll call vote of 13 to 5. Roll Call Vote No. 1.

ADJOURNMENT

The meeting adjourned at 11:10 a.m.

Les Kitselman

REP. LES KITSELMAN, Chairman

ROLL CALL VOTE

BUSINESS & LABOR COMMITTEE

DATE Feb. 12, 1987 BILL NO. HB 313 NUMBER 1

NAME	AYE	NAY
REP. [illegible], CHAIRMAN		✓
REP. FRED THOMAS, VICE-CHAIRMAN	✓	
REP. BOB BACHINI	✓	
REP. RAY BRANDEWIE		✓
REP. JAN BROWN	✓	
REP. BEN COHEN	✓	
REP. JERRY DRISCOLL	✓	
REP. WILLIAM GLASER		✓
REP. LARRY GRINDE		✓
REP. STELLA JEAN HANSEN	✓	
REP. TOM JONES	✓	
REP. LLOYD MCCORMICK	✓	
REP. GERALD NISBET	✓	
REP. BOB PAVLOVICH	✓	
REP. BRUCE SIMON	✓	
REP. CLYDE SMITH	✓	
REP. CHARLES SWYSGOOD	✓	
REP. NORM WALLIN		✓

TALLY 13 5

Chris Armstrong
Secretary

Les Kitselman
Chairman

MOTION: Rep. Pavlovich moved HB 313 DO PASS AS AMENDED.

Motion carried - 13 to 5.

Form CS-31
Rev. 1985

EXHIBIT 10
DATE 2/12/87
HB 313
Executive Action

AMENDMENTS TO HOUSE BILL NO. 313

AMENDMENTS AS FOLLOWS:

1) Title, line 9
Following: "16-2-103,"
Insert: "16-2-106,"

2) Title, line 10
Following: "16-2-203,"
Strike: "16-2-302, 16-2-303,"

3) Title, line 14
Following: "16-2-104"
Strike: "THROUGH"
Insert: ", 16-2-105,"
Following: "16-2-301"
Insert: "THROUGH 16-2-303"

4) Page 2, line 18
Following: "liquor"
Strike: "and the sale of table wine"

5) Page 4, line 12
Following: "liquor"
Strike: "and wine"

6) Page 8, line 8
Following: "liquor"
Strike: "and"
Following: "table"
Strike: "wine"

7) Page 10, line 23
Following: "liquor"
Strike: "and"
Following: "table"
Strike: "wine"

8) Page 11, line 5
Following: "liquor"
Strike: "and"
Following: "table"
Strike: "wine"

9) Page 12, line 24
Following: "liquor"
Strike: "or"
Following: "table"
Strike: "wine"

10) Page 13, line 7
Following: "liquor"
Strike: "or"
Following: "table"
Strike: "wine"

11) Page 15, line 3 through line 15
Following: "rate of" on line 3
Strike: the remainder of line 3, lines 4 through 14 in their entirety and line 15 through "section"
Insert: "$1.75 a liter"

12) Page 16, line 22
Following: line 21
Insert: "at the rate"
Following: "of"
Strike: ":"

13) Page 16, line 23, through page 17, line 9
Strike: lines 23 through 25 on page 16 and lines 1 through 8 on page 17 in their entirety and line 9 through "section"
Insert: "65 cents a liter"

14) Page 19, line 24
Following: line 23
Insert: "Section 13. Section 16-2-106, MCA, is amended to read:
"16-2-106. Purchase price in advance. A store <u>The state warehouse</u> manager <u>and other authorized state warehouse employees</u> may sell to any person <u>licensee</u> such liquor as that person <u>licensee</u> is entitled to purchase in conformity with the provisions of this code and the rules made thereunder, provided that no

delivery shall take place until the purchaser has paid the purchase price.""
Renumber: subsequent sections

15) Page 21, line 18 through page 22, line 11
Following: line 17 on page 21
Strike: sections 16 and 17 in their entirety
Renumber: subsequent sections

16) Page 24, line 9
Following: "is to"
Strike: "maintain a system for the importation and sale of wine by the state through the state liquor facilities warehouse and"

17) Page 49, line 11
Following: "that"
Insert: "originally"

18) Page 49, line 14
Following: "not"
Insert: "originally"

19) Page 49, line 22
Following: "license."
insert: "A licensee may purchase liquor from another licensee if the liquor was originally purchased from the state warehouse."

20) Page 58, line 21
Following: "16-2-104"
Strike: "through"
Insert: ", 16-2-105,"
Following: "16-2-301"
Insert: "through 16-2-303"

21) Page 58, line 24
Following: "Sections"
Strike: "39, 40"
Insert: "38, 39"